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DD/S 66-5277  
29 SEP 1966

DD/P 66-4247

**MEMORANDUM FOR : Deputy Director for Support**

**SUBJECT : Extension of Statutory Fringe Benefits to Certain Contract Employees**

1. This memorandum submits a recommendation for your approval; this recommendation is contained in paragraph 6.

2. On 9 August 1966 representatives of this Office and the Office of General Counsel met with you to discuss the matter of obtaining for contract employees certain statutory fringe benefits, specifically Civil Service Retirement, Federal Employees' Group Life Insurance, and the Federal Employees' Health Benefits. After a full discussion of the implications of obtaining these benefits for contract employees, including the possible risk that if contract employees should receive these benefits they may be counted in staff ceiling, you directed that we proceed with our effort, on the following basis:

a. We should limit the contract employees for whom these coverages are sought to U. S. citizens and resident aliens;

b. We should attempt to arrange the effective date of coverage in a fashion that would permit affected contract employees now on the rolls to exercise an option for or against obtaining these benefits;

c. We would estimate the costs to the Agency of providing these new coverages; and

d. While we could continue to work with the Bureau of Retirement and Insurance (BRI) on an informal basis, we should discuss this matter with you in advance of submitting a formal request for these coverages.

3. Since our meeting with you we have had several discussions with the Director, Bureau of Retirement and Insurance who has been extremely helpful and cooperative on this matter, even to the point of working with us on the letter to be submitted to him as the Agency's formal request for approval to grant these three statutory fringe benefits to certain classes of Agency contract employees.

a. On 23 August a draft of a letter, attached at Tab A, was prepared and forwarded to the Director, BRI for his informal review.

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Excluded from automatic  
downgrading and  
declassification

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At the time we invited his criticisms and suggestions so that our best possible case might be presented. On 30 August, the Director, BRI called and expressed his view that the letter presented an excellent basis for requesting these benefits and fully treated all aspects of the problem. He had no changes of any kind to suggest, and rated our chances for obtaining approval, barring some unforeseen development, at from 90% to 100%.

b. The Director, BRI has drafted a proposed change in regulations to implement anticipated approval of our request. This regulatory change, attached at Tab B, appears to accomplish our wish to limit the benefits to U. S. citizens and resident aliens and to provide contract employees now on the rolls an opportunity to opt for or against the coverage, but it has been forwarded to the Office of General Counsel for review.

4. As to the cost to the Agency in providing these new benefits to U.S. citizen and resident alien contract employees, it was first necessary to inventory the number of contract employees who might be eligible for these benefits. Our review shows that there are   such employees and the breakdown is included with Tab C. Tab C is a cost summary which estimates the total new expenditure to the Agency for these fringe benefits at \$536,570 for the first year. In this connection, we wish to mention that this office had been working with the Clandestine Services on a solution to the historical problem of inadequate retirement benefits for contract employees. Our efforts had proceeded to the point of agreement in principle that a supplemental retirement plan for some contract employees was necessary and specific proposals for such a plan were drafted. A first year cost estimate for this supplemental retirement plan is more than \$608,000. If our request to the Commission is approved, a supplemental retirement plan may still be needed since there will be some contract employees who will not qualify for the statutory benefits we are seeking, but the ultimate expense of a supplemental retirement plan will be reduced in proportion to the number of contract employees converted to Civil Service Retirement coverage.

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5. With great optimism that we can secure these important fringe benefits for certain contract employees, we are now ready to submit our formal request.

6. It is recommended, therefore, that you approve the release of the attached letter (Tab A) to the Director, Bureau of Retirement and Insurance requesting that Civil Service Retirement, Federal Employees' Group Life

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Insurance, and Federal Employees' Health Benefits be granted to the Agency's U. S. citizen and resident alien contract employees.

/s/ Emmett D. Echols

Emmett D. Echols  
Director of Personnel

Atts

Concur:

s/ Lawrence R. Houston

Office of General Counsel

30 SEP 1966

Date

ILLEGIB

[Redacted Signature]

A Deputy Director for Plans

5 - 701 1966

Date

The recommendation in paragraph 6 is approved:

SIGNED R. L. Bannerman

22 NOV 1966

Deputy Director  
for Support

Date

Distribution:

- 0 - Return to D/Pers
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OP/BSO/[Redacted] bhd (19 September 1966)

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